

## SECTION 3: HONG KONG

### Introduction

Over the past year, the Commission tracked key issues in Hong Kong in the areas of politics, the economy, and the environment.

In the realm of politics, Hong Kong saw instances of public protest against the mainland authorities in 2010. The protests highlighted a willingness on the part of Hong Kong residents to demonstrate against Beijing as well as continued tension between residents living under Hong Kong's separate political system and the mainland's communist regime. Protests over a threatened conversion of Cantonese language media in China to Mandarin and a strong turnout at Hong Kong's annual vigil in remembrance of the 1989 Tiananmen Square massacre are key examples.

The year 2010 also saw a change in Hong Kong's electoral process that received mixed reviews from the populace. Some praised the partial step toward giving Hong Kong voters more independence in choosing additional candidates for office, while others argued that such changes were insubstantial and merely designed to silence dissent.

Hong Kong enjoyed noticeable improvement in its economy during 2010. Hong Kong's gross domestic product (GDP) for the first quarter of 2010 rose 10 percent from the previous year. The second quarter GDP rose 5.9 percent from the previous year.<sup>232</sup> Hong Kong's GDP growth for 2010 is forecast by the Hong Kong government to be 5 to 6 percent after accounting for the data from the first two quarters of 2010.<sup>233</sup> During the Commission's 2010 Asia trip, Hong Kong officials credited the recovery to an economic stimulus policy that promoted exports and supported small- and medium-sized industries. Hong Kong is also targeting specific sectors of its economy for growth, including job creating sectors such as tourism and shipping.

Hong Kong's environment remains a key issue in Hong Kong's political relationship with China. While many Hong Kong residents complain about pollution emanating from factories located in China's Pearl River Delta, many of these factories are owned by Hong Kong companies that benefit from China's lax environmental standards.

### Protests Over Mandarin Requirements

One development aptly demonstrates the uneven progress in the struggle for freedom of expression.<sup>234</sup> In July 2010, protestors in Hong Kong and Guangzhou, Guangdong Province, simultaneously demonstrated against Chinese government plans to convert local media broadcasts in Guangzhou from native Cantonese to Mandarin in the runup to the Asian Games planned in the region in November. The protests also saw Guangdong residents travel to

Hong Kong in order to participate. Apparently as a result of these protests, China did not implement the proposed switch. However, Chinese authorities quickly and thoroughly censored reporting about the event in China's press, perhaps for fear of similar protests in other areas of China with large concentrations of minority language speakers, such as Tibet and Xinjiang.<sup>235</sup>

### **Tiananmen Square Vigil**

Students and activists in Hong Kong annually commemorate the anniversary of the 1989 Tiananmen Square protests. However, the large number of participants in 2010 in a Hong Kong memorial candlelight service surrounding the 21st anniversary of the massacre of student demonstrators surprised many observers. Some media estimated that 150,000 people turned out for the event, matching the numbers for the large 20th anniversary event in 2009.<sup>236,237</sup> An earlier decision by administrators at the Chinese University of Hong Kong not to allow students to construct a replica of the Goddess of Democracy statue, a symbol prominently used in the 1989 protests, stoked interest in the vigil.<sup>238</sup>

Wang Dan, a Chinese democracy activist and student leader in Tiananmen Square in 1989, wrote after the 2010 Hong Kong vigil that "Hong Kong has inherited the spirit of the 1989 generation . . . Many Chinese people from the mainland have been going to Hong Kong to breathe the air of freedom."<sup>239</sup>

### **Support For Nobel Peace Prize Winner**

Hong Kong residents rallied in support of jailed Chinese dissident Liu Xiaobo after he was awarded the Nobel peace prize on October 8, 2010. The award sparked renewed calls for Mr. Liu's release from the West as well as in Hong Kong.<sup>240,241</sup>

### **Electoral Reform**

Hong Kong's legislature has been criticized for being unwilling to act independently from Beijing. As described in the Commission's *2009 Annual Report*, Hong Kong's Legislative Council is increasingly influenced by China, specifically through China's Central Government Liaison Office in Hong Kong.<sup>242</sup> As the Commission noted at the time, this influence appears to violate Article 22 of Hong Kong's Basic Law, which protects Hong Kong's political independence.

On June 25, Hong Kong's legislature voted 46 to 12 in favor of passing a compromise government-sponsored electoral reform bill that expanded the legislature's 60 seats by an additional ten popularly elected seats.<sup>243</sup> For the first time, a majority of the positions, 40, are subject to direct election. The remaining seats will be appointed by functional constituencies. Many democracy advocates complain that these interest groups have close ties to Beijing.<sup>244</sup> The Commission has previously reported that these functional constituencies favor Hong Kong's business sectors, which have substantial investments in mainland China that could face retaliation if Hong Kong's Legislative Council were to anger Beijing. Critics charge this makes the current Legislative Council unwilling to act against China's wishes.<sup>245</sup>

Another portion of the bill enlarges a much-criticized committee for choosing Hong Kong's chief executive to 1,200 members, up from the current 800. The current 800-member committee is made up of 200 representatives from four groups: the industrial, commercial, and financial sectors; the professions; labor, social services, religious and other sectors; and government officials<sup>246</sup>. However, it remains unclear who will choose the makeup of the new committee. The changes affect elections scheduled for 2012.

However, some democracy advocates have argued that the new law moves too slowly toward universal suffrage. Hong Kong has five pro-democracy political parties that split over the tactics that should be used on this issue.<sup>247</sup> Specifically, the law calls for universal suffrage for electing the Hong Kong chief executive in 2017 and for electing the legislative council in 2020. The law lacks plans for reaching those goals, opponents argued.<sup>248</sup> For example, Alan Leong, a legislator belonging to the Civic Party and former candidate for chief executive, said on June 21 that "we are worried that these detours [away from universal suffrage] in the governmental proposal will make it even harder to achieve universal suffrage" because of the lack of a clear roadmap for achieving the goal of a freely elected government.<sup>249</sup>

While supporters, such as Beijing-chosen Hong Kong Chief Executive Donald Tsang, praised the reforms as evidence that "consensus and reform are possible," twelve pro-democracy legislators boycotted the vote. One such lawmaker, Albert Chan, declared the day of the vote "the darkest day in Hong Kong's democratic development," according to press reports. Moderates praised the deal as the first example of cooperation between Beijing and Hong Kong's various pro-democracy factions.<sup>250</sup>

### Media Issues

Self-censorship among reporters remains widespread, although difficult to quantify. In 2007, the most recent year for which data were available, about 30 percent of reporters admitted to self-censoring their work.<sup>251</sup> This took place before additional censorship measures were carried out by editors and publishers.

In June, a Hong Kong book publisher halted the much-anticipated release of Chinese Premier Li Peng's memoirs. Media reported at the time that Mr. Li had never consented to the publication in Hong Kong and the publication had been suppressed in China by the central government.<sup>252</sup> While there was speculation that the publisher gave in to Chinese government pressure, the publisher refused to answer press questions regarding who supplied any evidence of a breach of copyright.<sup>253</sup>

A controversial biography of Wen Jiabao by Chinese dissident Yu Jie, entitled *China's Best Actor*, led to his brief detention by Hong Kong authorities in July 2010, who warned against publishing the book.<sup>254</sup> However, Mr. Yu published the book in August 2010. The book is currently available in Hong Kong and Taiwan. The book is unavailable in mainland China.

### Hong Kong's Economy

The International Monetary Fund (IMF) has a positive outlook for the economy of Hong Kong in 2010. It predicts unemployment

will drop from 5.1 percent in 2009, to 4.8 percent in 2010, and to 4.5 percent in 2011, respectively. Additionally, the IMF predicts that Hong Kong's real GDP will grow 6 percent and 4.4 percent in 2010 and 2011, respectively. This is a significant turnaround from 2009, when Hong Kong's GDP shrank 2.8 percent.<sup>255</sup>

During the Commission's trip to Hong Kong in August 2010, Rita Lau, Hong Kong's secretary for Commerce and Economic Development, said that she is "reasonably confident" that Hong Kong will see 4 to 5 percent GDP growth in 2010.

In addition to GDP, Hong Kong's international trade figures also dropped in 2009, according to official statistics. Because Hong Kong is the location for China's second-largest container port after Shanghai, port revenues dominate the local economy. Although few of the exports that pass through Hong Kong are manufactured there, Hong Kong ranked as the world's 11th largest exporter in 2009. The value of total merchandise trade through the Port of Hong Kong dropped to \$666 billion, 316 percent of GDP, down from \$751 billion in 2008.<sup>256,257</sup>

In their meetings with Commissioners, Hong Kong officials made note of their stimulus program, which they said would boost economic growth. Hong Kong's stimulus included a strong focus on offering credit to small- and medium-sized businesses during the financial crisis. Hong Kong's government, through the stimulus program, targeted specific growth areas, according to Mrs. Lau. These areas included the innovation and technology sector, cultural and creative business, the medical sector, education, the environmental or green technology sector, and the testing and certification sector. In each of these areas, Hong Kong is focusing on job training to supply workers with the appropriate skill sets. For example, in the creative business development area, Mrs. Lau said that Hong Kong was planning to develop film studios capable of cutting-edge 3D and computer-generated image-making. Hong Kong is also focusing on boosting tourism. While tourism accounts for 4 to 6 percent of total GDP for Hong Kong, it generates employment in the retail, hotel, and transportation sectors, according to Mrs. Lau.

Mrs. Lau praised the stimulus for turning around the "severe" downturn in trade flows from 2009. Hong Kong's stimulus would be extended to the end of 2010, Mrs. Lau said, but at that point officials plan to pull back stimulus funding and allow the markets to recover without government intervention.

### **Hong Kong's Environment**

Hong Kong officials said that the single most important issue between Hong Kong and mainland China remained the environment and pollution. Earlier this year, Hong Kong's Environmental Protection Department reported that some air pollution readings were double the level at which citizens should stay indoors.<sup>258</sup> The Hong Kong Chamber of Commerce, which has 4,000 multinational corporations in its membership, asked the government to take "decisive" action,<sup>259,260</sup> which it apparently did through the issuance of a reduced emissions plan released in September 2010.

China's Pearl River Delta remained the largest source of pollution for Hong Kong, in part because the large number of Hong Kong-owned factories in the Pearl River Delta makes stronger envi-

ronmental regulations politically unpopular among businesses invested in China. Hong Kong's Secretary for the Environment, Edward Yau, confirmed that Hong Kong-owned businesses control "roughly half" of the 50,000 to 60,000 businesses operating in the Pearl River Delta.

During its Asia trip, Commissioners met with Mr. Yau and independent Hong Kong organizations working on environmental issues, including Greenpeace and Civic Exchange, a Hong Kong-based think tank founded by local environmentalists.

Mr. Yau noted that Hong Kong has a low carbon footprint. Data from the United Nations Millenium Development Goals project showed Hong Kong to have a per capita carbon footprint of 5.75 tons of CO<sub>2</sub> per person in 2007, the most recent data available.<sup>261</sup> By contrast, the United States has a per capita carbon footprint of 18.9 tons. According to Mike Kilburn, a member of Civic Exchange, Hong Kong's government "sees itself more as a consensus builder than a regulator" and sometimes proves unwilling to take on those with vested interests. Greenpeace Hong Kong also noted that the government works in terms of goals rather than by setting standards or regulations. According to Gloria Chang, campaign manager at Greenpeace, Hong Kong is not included in China's ambitious environmental targets. Instead, Hong Kong currently is bound only by its Asia-Pacific Economic Cooperation (APEC)\* commitments, to reduce its energy intensity by 25 percent by 2030, using 2005 as the base year.

However, since the Commission's visit, the Hong Kong government has released an ambitious plan to decrease its greenhouse gas emissions. In September 2010, Mr. Yau released a "consultation document," outlining Hong Kong's position on climate change and proposing a voluntary carbon intensity reduction target of 50–60 percent of 2010 emissions by 2020.<sup>262</sup>

To meet that goal, Hong Kong's government proposed a radical change in its electricity portfolio, cutting back on coal-generated electricity by expanding natural gas and nuclear power, as well as instituting renewable energy projects. In 2009, coal accounted for 54 percent of Hong Kong's electricity production, while 23 percent came from nuclear power and 23 percent from natural gas. The 2020 goal would drop coal from 54 percent to just 10 percent, with nuclear and natural gas accounting for approximately 50 and 40 percent, respectively. Renewable energy sources, including wind and solar, will account for 3 to 4 percent, according to the document.

Other steps outlined in the document included increasing energy efficiency standards for buildings and "greening" road transportation and promoting clean fuel vehicles. This includes the use of modern building materials to increase efficiency, tougher standards on vehicle emissions, and promotion of electric vehicles and hybrids.

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\*APEC has 21 member economies and engages in discussions on trade and economic issues. Members include Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Chinese Taipei, Thailand, the United States, and Vietnam.

### **Implications for the United States**

Hong Kong remains a central hub for Pacific trade, including imports to and exports from the United States. In 2008, U.S. goods and services trade with Hong Kong totaled \$42 billion, with imports totaling \$14 billion and exports totaling \$28 billion.<sup>263</sup> As Hong Kong's economy continues to recover, trade with the United States will increase as well.

Other U.S. interests in Hong Kong are based, in part, on the state of human rights conditions and democracy, including the assurance of a free press and the movement toward universal suffrage for Hong Kong. Hong Kong serves as a test of China's commitments and willingness to allow basic freedoms to some citizens under its control. These freedoms are based on commitments China made to maintain the rule of law and democracy in Hong Kong with the 1997 turnover.

### **Conclusions**

- In 2010, efforts to transition elections for Hong Kong's Legislative Council to universal suffrage, agreed to in the Joint Declaration, were once again delayed, which was met with controversy among Hong Kong's democracy supporters. Also in 2010, the freedom of the press in Hong Kong remained an ongoing struggle.
- Hong Kong is facing a number of environmental problems due to its proximity to the manufacturing hub of the Pearl River Delta.
- Hong Kong's economy has noticeably recovered from the 2009 downturn, due to a targeted economic stimulus that focused on small- and medium-sized enterprises.